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# SEARS HOLDINGS

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STATUS UPDATE PRESENTATION TO THE COURT

**July 27, 2021**

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## Progress on Administrative, Priority and Secured Claims Reconciliation

- Reconciled more than 4,443 Opt-In, Non-Opt-Out, and Opt-Out administrative claims
- Expunged or Reclassified ~\$2.5bn of claims asserting entitlement to administrative, priority, or secured status; objections pending to eliminate an additional \$1.1bn of asserted secured claims
- Allowed 1,788 administrative claims
- Disputing 40 Non-Opt-Out claims asserting approximately \$6.3mm, excluding allowed claims with outstanding preference issues
- Reduced estimate of allowed Opt-Out Claims by an additional \$7.0mm

## Progress on Post-Confirmation Distributions as of July 2021

- A total of \$43.0mm has been distributed or reserved post-confirmation for administrative claimants thus far:
  - Initial post-confirmation settlement distribution of \$21.4mm made in December 2019
  - Pursuant to second distribution commenced in August 2020, \$18.4mm was disbursed to creditors with allowed administrative claims, and \$3.2mm was reserved for disputed administrative claims

| \$ in mm Group  | Number of Remaining Claims | Asserted Amount   | Allowed Amount Through 07/24/21 | Preference Set-off | Allowed Amount net of Set-off | Allowed Amount Post-discount | Paid / Reserved Amount | Proposed Third Distribution Adj. | Remaining Amt. After Proposed Third Dist. |
|---|----------------------------|-------------------|---------------------------------|--------------------|-------------------------------|------------------------------|------------------------|----------------------------------|---|
| Allowed Opt-In De minimis <sup>(1)</sup>                          | 143                        | N/A               | \$0.9                           | N/A                | \$0.9                         | \$0.7                        | (0.7)                  |                                  | \$0.0                                     |
| Allowed Opt-In Non-De minimis <sup>(2)</sup>                      | 191                        | N/A               | 70.3                            | (5.8)              | 64.5                          | 48.4                         | (18.9)                 | (5.0)                            | 24.5                                      |
| Allowed Non-Opt Out De minimis <sup>(1)</sup>                     | 924                        | N/A               | 3.9                             | N/A                | 3.9                           | 3.1                          | (3.1)                  |                                  | 0.0                                       |
| Allowed Non-Opt Out Non-De minimis <sup>(2)</sup>                 | 256                        | N/A               | 59.9                            | (15.8)             | 44.1                          | 35.3                         | (14.0)                 | (3.6)                            | 17.7                                      |
| <b>Total Opt-In and Allowed Non-Opt-Out</b>                       | <b>1,511</b>               | <b>N/A</b>        | <b>\$135.0</b>                  | <b>(21.5)</b>      | <b>\$113.4</b>                | <b>\$87.5</b>                | <b>(36.7)</b>          | <b>(8.6)</b>                     | <b>\$42.2</b>                             |
| <i>Reconciled Opt-In Claims subject to Preference Issues</i>      | 29                         | N/A               | \$6.5                           | TBD                | \$6.5                         | \$4.9                        | (1.9)                  | (0.5)                            | \$2.5                                     |
| <i>Reconciled Non-Opt-Out Claims subject to Preference Issues</i> | 82                         | N/A               | 9.4                             | TBD                | 9.4                           | 7.5                          | (2.7)                  | (0.8)                            | 4.0                                       |
| <i>Disputed Claims<sup>(3)</sup></i>                              | 40                         | 6.3               | N/A                             | N/A                | N/A                           | 2.4                          | (1.8)                  | (0.6)                            | -   |
| <i>Opt-Out Claims - To Be Reconciled<sup>(4)</sup></i>            | 154                        | 23.9              | TBD                             | TBD                | TBD                           | 8.0                          | N/A                    | -                                | 8.0                                       |
| <i>Opt-Out Claims - Pending Expungment / Withdrawal</i>           | 2                          | 1,460.8           | N/A                             | TBD                | N/A                           | N/A                          | N/A                    | -                                | -   |
| <b>Total Estimated Allowed Admin Claims</b>                       | <b>1,818</b>               | <b>\$1,490.9</b>  | <b>\$150.9</b>                  | <b>TBD</b>         | <b>\$129.4</b>                | <b>\$110.3</b>               | <b>(43.0)</b>          | <b>(10.5)</b>                    | <b>\$56.8</b>                             |
| <i>Priority-tax</i>   | 177                        | \$123.8           | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                | } \$45.5                                  |
| <i>Estimated Priority - Non-Tax - To Be Expunged</i>              |                            |                   | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                |   |
| <i>Priority-Non-Tax</i>   | 2,272                      | 982.3             | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                |   |
| <i>Secured Claims - Subject to Objection<sup>(5)</sup></i>        | 408                        | 17,084.2          | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                |   |
| <i>Secured Claims - Subject to appeal</i>                         | 208                        | 41,459.7          | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                |   |
| <i>Secured Other</i>  | 277                        | 27.1              | N/A                             | N/A                | N/A                           | N/A                          | N/A                    | -                                |   |
| <i>Superpriority Admin and Secured Claims - Relator</i>           | 2                          | 32.5              |                                 |                    |                               |                              |                        | -                                |   |
| <b>Total Estimated Allowed Priority and Secured Claims</b>        | <b>2,859</b>               | <b>\$18,222.9</b> | <b>N/A</b>                      | <b>N/A</b>         | <b>N/A</b>                    | <b>N/A</b>                   | <b>N/A</b>             | <b>-</b>                         | <b>\$45.5</b>                             |
| <b>Total Estimated Allowed Claims</b>                             | <b>\$4,677</b>             | <b>\$19,713.8</b> | <b>\$150.9</b>                  | <b>TBD</b>         | <b>\$129.4</b>                | <b>\$110.3</b>               | <b>(43.0)</b>          | <b>(10.5)</b>                    | <b>\$102.3</b>                            |

- (1) De minimis claims that received final payment
- (2) Includes claims impacted by preference set-off subsequent to 1<sup>st</sup> or 2<sup>nd</sup> distribution
- (3) Reserve is based on asserted amount. The estimated "Allowed Amount Post-Discount" of \$2.4mm is an estimate.
- (4) The "Allowed Amount Post-discount" of \$8.0mm is an estimate
- (5) Objections filed in July 2021

# Estimated Additional Net Funds Needed to Satisfy the Estimated Allowed Administrative, Priority and Secured Claims

| \$ in mm  |  | Estimates as of<br>7/31/21 |
|---|--|----------------------------|
| <b>Cash</b>   |  |                            |
| Cash Balance as of 7/31/2021  |  | \$29.9                     |
| Less: Total Reserves  |  | (8.7)                      |
| Less: Proposed Third Distribution   |  | (10.5)                     |
| <b>Total Remaining Cash as of 7/31/21<sup>(1)</sup></b>   |  | <b>\$10.7</b>              |
| <b>ESTIMATED REMAINING ASSETS</b>   |  |                            |
| Real Estate Asset Sales   |  | \$1.6                      |
| Calder Sculpture  |  | 6.0                        |
| Insurance and Litigation Proceeds   |  | 2.0                        |
| Other Proceeds  |  | 5.9                        |
| <b>Total Remaining Asset Recoveries</b>   |  | <b>\$15.5</b>              |
| <b>Estimated Cash Available to Satisfy Operating Expenses &amp; Claims</b>                              |  | <b>\$26.1</b>              |
| <b>ESTIMATED REMAINING AMOUNTS OWED ON ADMINISTRATIVE, PRIORITY, AND SECURED CLAIMS NET OF RESERVES</b> |  |                            |
| Administrative Expense Consent Program  |  | (56.8)                     |
| Priority and Secured  |  | (40.0)                     |
| <b>Total Remaining Claims Net of Reserves<sup>(2)</sup></b>   |  | <b>(96.8)</b>              |
| Estimated Other Post-Confirmation Expenses/Liabilities if Effective Date Occurs on 12/31/21             |  | (9.9)                      |
| <b>Total Projected Uses<sup>(3)</sup></b>   |  | <b>(\$106.6)</b>           |
| <b>Total Difference between Cash Available and Projected Uses</b>                                       |  | <b>(\$80.5)</b>            |

- The \$80.5mm difference between estimated cash available and projected uses of cash is expected to be covered with proceeds from the PTAB Appeals, Preference claims, and ESL litigation

(1) Includes minimum cash reserve of \$10mm

(2) Claims remain subject to review and dispute

(3) Estimated total does not reflect additional funding for the Liquidation Trust, which may be necessary when the Plan becomes effective

## Post-Confirmation Update on Sources

**Sources, excluding recoveries from avoidance actions, increased by \$4.7mm compared to the April 27, 2021 estimate**

| (\$ in mm)   | Confirmation<br>Date Estimates | As of<br>4/10/2021 | to be Realized<br>as of<br>7/31/2021 | to be Realized from<br>7/31/2021 -<br>12/31/2021 | Total Sources<br>As of<br>7/31/21 |
|--|--------------------------------|--------------------|--------------------------------------|--|-----------------------------------|
| <b>SOURCES</b>   |                                |                    |                                      |  |                                   |
| Cash On Hand at Confirmation                             | \$45.4                         | \$48.5             | \$48.5                               | -  | \$48.5                            |
| Calder Net Proceeds                                      | 10.0                           | 6.0                | -                                    | 6.0  | 6.0                               |
| Real Estate Proceeds                                     | 13.1                           | 17.7               | 16.8                                 | 1.6  | 18.4                              |
| De Minimis Assets  | 5.3                            | 8.4                | 7.3                                  | 0.7  | 8.0                               |
| 2017 EDA Funds   | 5.0                            | 5.2                | 5.2                                  | -  | 5.2                               |
| Utility Deposit  | 4.7                            | 9.0                | 9.0                                  | 0.7  | 9.7                               |
| Contribution from Carve Out                              | -                              | 9.0                | 9.0                                  | -  | 9.0                               |
| Tax Refunds - Received                                   | -                              | 5.5                | 5.5                                  | -  | 5.5                               |
| Blue Cross Blue Shield Escrow                            | -                              | 4.6                | 4.6                                  | -  | 4.6                               |
| Tax Refunds - Outstanding                                | -                              | 4.5                | -                                    | 4.5  | 4.5                               |
| Transform 503(b)(9) Obligations                          | -                              | 12.0               | 12.0                                 | -  | 12.0                              |
| Settlement Proceeds <sup>(1)</sup>                       | -                              | 2.0                | -                                    | 2.0  | 2.0                               |
| 2015 PTAB Settlement                                     | -                              | 4.7                | 4.7                                  | -  | 4.7                               |
| Uncashed Distribution Checks                             | -                              | -                  | 1.4                                  | -  | 1.4                               |
| Other  | -                              | 9.3                | 11.5                                 | -  | 11.5                              |
| <b>Subtotal</b>  | <b>83.5</b>                    | <b>146.3</b>       | <b>135.5</b>                         | <b>15.5</b>                                      | <b>150.9</b>                      |
| Avoidance Actions - Preference Recoveries <sup>(2)</sup> | -                              | 16.5               | 19.1                                 | -  | 19.1                              |
| <b>Total Sources</b>                                     | <b>\$83.5</b>                  | <b>\$162.8</b>     | <b>\$154.6</b>                       | <b>\$15.5</b>                                    | <b>\$170.1</b>                    |

**Increase from April 2021 estimates excluding preference recoveries:** **\$4.7**

**Increase from Confirmation Date estimates excluding preference recoveries:** **\$67.4**

## Post-Confirmation Update on Uses

Actual uses to date  
remain below  
confirmation date  
estimates

Total Uses remain  
within confirmation  
estimate range

| (\$ in mm)  | Confirmation<br>Date Estimates |                | Estimate<br>As of<br>4/10/2021 | Estimate<br>to be Paid or<br>Reserved as of<br>7/31/2021 | Estimate<br>to be Paid from<br>7/31/2021 -<br>12/31/2021 | Estimate of<br>Total Uses As<br>of<br>7/31/2021 |
|---|--------------------------------|----------------|--------------------------------|--|--|---|
|   | Low                            | High           |                                |  |  |   |
| <b>USES</b>   |                                |                |                                |  |  |   |
| Administrative Claims                                 | 140.0                          | 205.0          | 115.6                          | 53.5   | 56.8   | 110.3   |
| Priority and Secured and Other Reserve <sup>(1)</sup> | 36.0                           | 39.0           | 26.5                           | 5.5  | 40.0   | 45.5  |
| Taxes   | -                              | -              | 0.7                            | 0.7  | -  | 0.7   |
| Board Fees  | -                              | -              | 2.7                            | 2.2  | 0.6  | 2.8   |
| Professional Fees                                     | 9.0                            | 9.0            | 48.3                           | 39.7   | 7.2  | 46.8  |
| Other Liabilities and Expenses                        | -                              | -              | 19.3                           | 17.4   | 2.1  | 19.5  |
| Liquidating Trust Funding                             | 25.0                           | 25.0           | 25.0                           | 25.0   | -  | 25.0  |
| <b>Total Uses</b>                                     | <b>\$210.0</b>                 | <b>\$278.0</b> | <b>\$243.1</b>                 | <b>\$144.0</b>   | <b>\$106.6</b>   | <b>\$250.6</b>                                  |

(1) Priority tax estimate as of 4/10/2021 included only Effective date payment; estimate as of 7/31/2021 includes all amounts owed

## Post-Confirmation Update on Avoidance Recovery

Approximately 60% of the eligible preference matters have been settled in terms of the number of counterparties

Settlements have resulted in a combination of cash and administrative claim waivers of \$50.6mm

| (\$ in mm)   | Number of Matters<br>as of 4/10/21 | Number of Matters<br>as of 7/15/21 | Gross Preference Period<br>Transfers<br>as of 7/15/21 |
|--|------------------------------------|------------------------------------|---|
| Initial Avoidance Action Matters                         | 3,549                              | 3,549                              | \$1,862.5   |
| Total Actions Determined to be Ineligible <sup>(1)</sup> | (1,283)                            | (1,344)                            | (900.6)   |
| Matters Settled  | (1,305)                            | (1,406)                            | (523.7)   |
| <b>Open Matters (Complaints Filed)</b>                   | <b>961</b>                         | <b>799</b>                         | <b>\$438.2</b>  |

(1) Reflects transfers that appear to have complete defenses (including assumed contracts, cash in advance)



## Conclusion

- Debtor's performance and go forward projections consistent with prior estimates although case remains challenging
  - Increased time in bankruptcy has led to higher expenses in the pre-effective date period, which would have been incurred during the post-effective date period had an earlier Effective Date occurred
  - Emergence remains contingent on successful litigation against ESL and collection of avoidance actions
- The Debtors stand ready to work with the remaining disputed creditors to resolve their claims